

VZCZCXRO1640
PP RUEHBC RUEHDE RUEHDIR RUEHKUK
DE RUEHIT #0557/01 3081418
ZNY CCCCC ZZH
P 031418Z NOV 08
FM AMCONSUL ISTANBUL
TO RUEHC/SECSTATE WASHDC PRIORITY 8569
INFO RUCNIRA/IRAN COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 05 ISTANBUL 000557

SIPDIS

LONDON FOR GAYLE; BERLIN FOR PAETZOLD; BAKU FOR MCCRENSKY;
ASHGABAT FOR INGBORN; BAGHDAD FOR BUZBEE; DUBAI FOR IRPO

E.O. 12958: DECL: 10/31/2023

TAGS: [PREL](#) [PGOV](#) [PINS](#) [ECON](#) [EINV](#) [CVIS](#) [SCUL](#) [SOCI](#) [TU](#) [IR](#)

SUBJECT: IRANIAN TOURISM: AN OPPORTUNITY FOR LEVERAGE?

REF: A) ISTANBUL 146 B) ISTANBUL 85 C) ISTANBUL 438
D) ISTANBUL 152

Classified By: Deputy Principal Officer Sandra Oudkirk; Reason 1.4 (d).

¶1. (C) Summary: Iran is making a strong diplomatic push to promote tourism cooperation with Turkey and "friendly" organizations like the D8 and the Economic Cooperation Organization (ECO). Iran sees tourism and related investment as a way to ease its isolation and boost economic growth, and thus has eased tourist visa requirements for some countries and has pledged tax-free status for such investments. However, the response from investors in Turkey and elsewhere has been muted, according to contacts, because of Iran's risky investment climate and because the GOI refuses to better manage its tourism sector. A tourism contact told us the Iranian tourism industry holds little hope for large foreign investment.

¶2. (C) Summary, continued: At the same time, tourism in the other direction -- from Iran -- is growing. Turkey is a key destination, expecting to host over 1,000,000 Iranians in 2008, and even more in future years. For many Iranians travel to Turkey and the west is a "psychological safety valve" allowing access to both western consumer products and freedoms. Comment: Iranian tourism industry contacts affirm that Iranians who visit the U.S. usually return home with "energized hopes" for better relations with the west and more freedom at home, a sentiment some predict could spread in Iranian civil society at a pace relative to Iranian travel opportunities to the West. Iranian tourism abroad may thus offer useful leverage for raising pressure on the regime. End Summary.

Tourism in Iran: Facts and Projections

¶3. (SBU) Numbers low and holding steady: According to the UN's World Tourism Organization (UNWTO), the Iranian Cultural Heritage, Handicraft, and Tourism Organization (ICHTO) -- Iran's equivalent of a Ministry of Tourism -- reported that some 1,820,000 foreigners visited Iran in 2007, some 1,858,000 are estimated to visit in 2008, and 1,900,000 are projected to visit in 2009. (These figures do not differentiate between conventional tourists, business visitors, or pilgrimage visitors, suggesting that foreign tourists visiting Iran make up only a portion of this figure.) According to the same ICHTO report, GOI expenditures on tourism in 2007 were 1.61 billion USD; are expected to reach USD 1.69 billion in 2008, and projected to drop slightly to USD 1.63 billion in 2009. At the same time, Iran's revenues from tourism during the same time period were noticeably less: USD 1.07 billion in 2007; USD 1.11 billion in 2008, and a projected 1.08 billion in 2009.

¶4. (SBU) GOI policy and target goals with regard to tourism were set in Iran's current Five Year Economic and Development Plan (2005-2010), approved by the Majles in 2004. That plan

calls for Iran to take in USD two billion in tourism revenues by 2010. Iran's longer-term goals vis-a-vis tourism are addressed in the GOI's "20 Year Outlook Plan" (2005-2025), which sets a goal of 20 million foreign visitors to Iran by 2025, bringing in USD 15 billion in annual revenues for the GOI and attracting USD 32 billion in tourism infrastructure projects and investments, according to press reporting.

An Iranian diplomatic press on tourism

15. (C) Iran has been making a strong diplomatic push over the past six months to promote tourism cooperation with "friendly" countries like Turkey, and "friendly" international organizations like the D-8 Developing Nations and the Economic Cooperation Organization (ECO). A partial list of recent Iranian diplomatic activity and/or policy speeches focusing on tourism cooperation and attracting foreign investment in Iranian tourism, according to press reports and contacts, includes:

-- President Ahmadinejad, Foreign Minister Mottaki, ICHTO Director (and Vice President) Rahim-Mashaei, Economy Minister Danesh Jaafari, and then-Central Bank Director Mazaheri hosted UNWTO Secretary-General Francesco Frangialli at an August 27 "International Conference on Investment Opportunities in Iran." Ahmadinejad affirmed that Iran sees tourism as both an important source of budgetary revenue and as "a strategic bridge which joins nations together." He pledged to give higher priority to encouraging privatization of Iran's tourism sector and offered a range of benefits to foreign companies willing to invest in that sector, including

ISTANBUL 00000557 002 OF 005

treating large investments with the same rules that apply to Iran's "free trade zones" (e.g., 15 years tax exemption, eased visa and customs restrictions), while Mazaheri pledged that Iran's "Export Promotion Bank" would offer modern banking services and credit financing to all investors. ICHTO also announced the creation of a website dedicated to encouraging tourism investment in Iran, at www.cito.ir, which includes a database of Iranian tourism-related projects in need of foreign investment.

-- Majles Speaker Larijani, visiting Persepolis and Shiraz on October 11, told the Iranian press that he plans to press the Majles to give more attention to improving Iran's tourism sector. He argued that Iran should be able to attract as many tourists as Greece or Egypt, and acknowledged that Iran needs to improve its tourism infrastructure to "provide appropriate facilities in our country." He said he will ask the Majles to draft revised tourism objectives as part of the "20 Year Outlook" plan.

-- Tourism Ministers from ECO (Ref A) member states Afghanistan, Turkmenistan, Kazakhstan, Azerbaijan, Tajikistan, Turkey, Pakistan, and Uzbekistan, hosted by ICHTO Director Rahim-Mashaei, met in Tehran on October 20 to discuss how to promote tourism within ECO member states. According to press reports, they discussed easing visa restrictions for member state citizens traveling for tourism, and encouraged ECO states to invest in each other's tourism industries.

-- In August, Iranian President Ahmadinejad visited Istanbul and signed a bilateral agreement with Turkey to promote tourism between the two countries (ref C). ICHTO Projects Director Mehdi Jahangiri opened an Iranian Tourism Information Office in Istanbul on October 10.

-- Tourism Ministers from D8 member states (ref B) Bangladesh, Egypt, Indonesia, Malaysia, Nigeria, Pakistan, and Turkey met in Tehran and Esfahan on May 12-16, hosted again by ICHTO Director Rahim-Mashaei, for similar discussions on promoting tourism within the D8 states. On May 17 Mashaei announced that that Iran would no longer require visa for tourism-related visits of less than 15 days

for D8 member state citizens. Iran called on D8 member states to offer visa reciprocity, but to date only Turkey has done so, while Pakistan has pledged to do so this year, according to D8 Executive Secretary Kia Tabatabaee.

-- Also in May, ICHTO announced that it had opened "foreign investing offices" in Bahrain, Germany, Italy, and Spain, to market Iranian tourism more effectively and promote investment in Iran's tourism infrastructure.

-- Since the start of the Iranian new year in late March, the Iranian MFA has offered electronic visa application services at the MFA's website (www.mfa.gov.ir.) According to the Iranian press, 250,000 tourists visited Iran since March using e-visas. (Comment: We tried numerous times over the past week to access this website but it currently appears inoperative.)

¶6. (C) According to Dr. Roxana Faghri (protect), an Esfahan University professor who informally advises ICHTO, the GOI over the past year has recognized that it must make a more intensive effort to attract foreign tourists and foreign tourism investment to have any hope of reaching its development plan targets. Faghri confirmed that Iran sees tourism and tourism-related investment as a way to ease its isolation and boost economic growth. The collapse of oil prices since September have heightened the urgency that many GOI policymakers now feel about the need to diversify GOI revenue sources, as well as to mitigate against Iranian economic and political isolation.

But Not Enough?

¶7. (C) Despite its active "tourism diplomacy" and the lofty tourism-related targets of its budget plans, the GOI refuses to take critical steps to make its tourism sector more appealing to foreigners, according to Faghri. She told us that she sent ICHTO in early 2008 a proposal with 15 recommendations for improving GOI management of Iran's tourism industry, including: Appointing ICHTO liaisons in every GOI Ministry to ensure a uniform GOI approach; issuing a "Code of Ethics" laying out standard practices for providing tourism services; decentralizing and privatizing the tourism sector; offering "tourism management" courses in business schools and "tourism customer service training" in vocational schools; undertaking environmental and social impact studies when considering infrastructure projects; and

ISTANBUL 00000557 003 OF 005

coordinating tourism marketing activities with regional organizations and neighboring countries, including Turkey. To Faghri's frustration, the only recommendations ICHTO has acted on are issuing a rudimentary Code of Ethics that "simply tells hotels and restaurants to treat tourists like welcomed guests", and holding regional tourism discussions within the ECO and the D8 as described above.

¶8. (C) The response from foreign investors to Iran's appeals for tourism investment appears to be muted. A contact in the Istanbul-based Turkish-Iran Business Council told us that Turkey's Foreign Economic Relations Board (DEIK) has led numerous business delegations to Iran in the past several years (ref D) that included tourism and hotel companies, but that only one significant deal has ever been agreed -- the Turkish hotel group Dedemon agreeing to open a 200-bed hotel in Shiraz in 2009, even though it will not profit from the deal for at least several years. "Doing business with Iran, in tourism or almost any other sector, is too much trouble for most Turkish small and medium enterprises. The investment climate is too risky, and the Iranians sometimes negotiate in bad faith."

¶9. (C) Our business contact told us that Iran recently appealed to DEIK and Turkey's Chamber of Commerce (TOBB) to do more to encourage tourism investment in Iran. DEIK has

agreed to put together a delegation of Turkish companies to participate in the "Second International Conference on Investment Opportunities in Iran Tourism Industry", November 8-9 in Tehran, but our contact was skeptical that any commercially viable opportunities would be on offer. (Comment: Our contact promised to share a readout of that conference after it occurs.) His skepticism was shared by another contact who runs a high-end Iranian tourism company that brings wealthy Iranians to the EU and U.S and less frequently brings European tour groups to Iran. He confirmed that the Iranian tourism sector holds little hope for large-scale western investment in Iran, at least until UN sanctions are lifted and relations with the west improve.

Iranians traveling abroad: a "safety valve"...

¶10. (C) Although the primary GOI interest in tourism is to increase revenue and investment coming to Iran, it also perceives a benefit in allowing Iranians to travel abroad relatively freely, according to the tourism company owner. "The government realizes that the Iranian people do not want to feel isolated, so they do not raise unnecessary hurdles to allowing Iranians to travel abroad." The tourism company owner said that while the U.S. was by far the most prized destination, the difficulties of acquiring a US visa and the expense of travel to the US limited the numbers of Iranians able to go.

¶11. (C) For most Iranians, occasional trips to Dubai, Azerbaijan, and especially Turkey are affordable and thus popular. For the GOI, "Turkey is the least bad destination for Iranians" the tour company owner told us, "because they do not require visas; Iranians can get there by car, train, or plane; the culture and religion are relatively familiar, and visitors can still buy and bring back any western product they need." He said the regime implicitly accepts Iranian tourism to Turkey as a necessary social "safety valve", without which the population's resentment of the current economic woes and social restrictions would dramatically rise.

¶12. (C) According to Gunnur Ozalp, the Secretary-General of TURSAB, Turkey's tourism industry association, over one million Iranians visited Turkey in 2007, with up to 1,100,000 expected in 2008, and more in 2009. Iranian tourists are "good business", TURSAB Corporate Affairs director Ela Atakan added. They usually come on chartered tour groups, typically visiting Istanbul, Antalya, or Izmir (the latter two for the beaches). Iranian tourists typically "bring lots of cash, and bring back to Iran lots of clothing, household goods, western films, books, and music, and other consumer goods." Many also come for "western cultural events." Atakan recounted that she had seen many Iranians among the crowds that attended concerts by American rock bands Metallica and REM recently in Istanbul. "To us, Iranian tourism is just business, nothing sentimental or political. The EU and U.S. should support it too, because it is the best way to share our modern values and culture directly with the Iranian people."

¶13. (C) Ozalp noted that Turkish tourists do not have a corresponding interest in visiting Iran. She confirmed that Iran lacks a basic tourism infrastructure, with many hotels and restaurants unable to accept credit cards; almost no bank

ISTANBUL 00000557 004 OF 005

machines available; and poor standards of cleanliness and customer service at most hotels. 30 to 40 Turkish tour companies offer tours to Iran, she said, but these appeal largely to "niche tourists" who want to visit Iran's UNESCO heritage sights. "Most average Turks would rather go to Europe or America for their vacation."

...Despite the Occasional Embarrassment

¶14. (C) Iran and Turkey inked a bilateral civil aviation agreement in 2007, Ozalp explained, that allowed Iranian charter flights to fly to Turkish coastal airports in Kusadasi and Antalya. But GOI embarrassment in summer 2007 over a spate of photographs posted to Iranian websites showing bikini-clad Iranian women on Turkish beaches mingling with men prompted the GOI to modify the agreement, canceling the beach-bound flights. Instead, Iranian beach-goers typically now fly to Izmir or Isparta (reportedly removing their chadors, hejabs, and manteaus the moment the aircraft enters Turkish airspace), and take buses to the beaches. One Iranian told us that some Iranian charter flights have quietly resumed flying to Antalya, but intentionally misspell Antalya in their advertising (spelling it "Annalya" in Farsi, by simply erasing a dot over the "t") to avoid provoking a GOI clamp-down. According to Ozalp: "Our cultural freedom is the one aspect of allowing Iranian tourism in Turkey that the Iranian government has a hard timing swallowing. But they do."

¶15. (C) Our TURSAB contacts recounted an equally embarrassing incident for the GOI in January 2007, when ICHTO Director Rahim-Mashaei was filmed applauding a female dance performance at an Islamic tourist exhibition in Istanbul. When the film was posted to Iranian news websites, the websites were shut down and their owners detained. Rahim-Mashaei claimed the video clip of him applauding was faked, insisting he was offended by the dancing. (Comment: The gaffe-prone Rahim-Mashaei most recently got in hot water with the Majles after suggesting in a speech in July that the Iranian people have no enemies, including even the Israeli and American people. Under intense pressure, including from Supreme Leader Khamenei, he retracted his remarks. Throughout the Iranian media frenzy he was fully supported by Ahmadinejad, whose son is married to Mashaei's daughter. End comment.)

More travel for Iranians = more pressure on the regime

¶16. (C) The Iranian tour company owner said he and his industry colleagues see a very rewarding future in leading Iranian tours to the EU and U.S. He pleaded to Istanbul's Iran Watcher (comment: not un-self-servingly) for greatly expanded travel and exchange opportunities for Iranians to visit the U.S. He suggested, for example, the creation of a new J-1 visa program under which "hundreds or even thousands" of Iranian high school students could go to the U.S. on a several-month work/study program, living with American host families, "including Iranian-American families." He argued that "high school students don't pose the same security background problem to you, and this experience would help mold their views of America in a deeper and more long-term way than just watching movies or listening to VOA." He assessed that when "younger generation Iranians return from visits to America, they almost always return with energized hopes for more normalized relations with you."

¶17. (C) Numerous Iranian contacts in the tourism industry and in other sectors have pleaded for urgent action by the USG to ease the process for Iranians applying for U.S. visas. "It is so time-consuming and expensive to travel twice to Dubai, or Ankara, or Istanbul, each time for several days, just to get a one-entry visa. Even if we get the visas, the process leaves a bad taste in the mouth", a Tehran businessman recently said, reflecting a consensus view among most Iranians. The tour company owner posited that the USG could generate significant popular goodwill in Iran by taking "any number of friendly steps", including: offering visa interviews for Iranians in Iran; offering multiple entry visas; allowing Iranians who have been approved to mail their passports to Dubai or Turkey visa issuance; or by allowing direct flights between Tehran and U.S. cities. "Any of those steps would have a great effect on the Iranian public's morale."

Comments

¶18. (C) Iran's strong diplomatic push to promote tourism

ISTANBUL 00000557 005 OF 005

cooperation with Turkey, the D-8, the ECO, and others, appears to have achieved little of significant economic benefit for the regime, so far. This is no surprise given the risky investment climate and the regime's unwillingness to change the way the tourism sector is managed.

¶19. (C) However, we believe another aspect of Iranian tourism bears closer scrutiny and may offer leverage for pressuring the regime: Iran's implicit reliance on Iranian travel abroad as a psychological "safety valve." The local and Iranian experts with whom we spoke shared the view that the benefits of Iranian tourism abroad accrue not to the regime but to the Iranian people. They argued that taking steps to ease and increase Iranian tourism to Turkey and the west would be a financially and politically low-cost way of effectively generating more grassroots support within Iran (and thus raising domestic pressure on the regime) for both engagement with the West and greater freedom at home.

¶20. (C) We are not in a position to judge the merits of specific proposals, like the one from the tour company owner, to create new exchange programs for Iranian students or other segments of Iranian civil society. But based on our experiences interacting with Iranians in Turkey, we tend to agree with the conclusion that expanding opportunities for Iranian citizens to travel to the United States would directly support USG policy goals via-a-vis reaching out to and supporting the Iranian people.

WIENER